

SUBCOMMITTEE 1

FINAL ACTION REPORT

Senate Budget and Fiscal Review

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SUBCOMMITTEE No. 1

EDUCATION

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K-12 EDUCATION

0650 OFFICE OF THE SECRETARY OF EDUCATION

- Eliminates funding for the Academic Volunteer and Mentor Service Program, which provides \$5.7 million in Proposition 98 savings.
- Shifts funding for the School-to-Career program (\$1.7 million) to the California Department of Education.

0954 GOVERNOR'S SCHOLAR'S PROGRAM

- Eliminates funding for the Governor's Scholars Program for a total savings of \$43.4 million in 2003-04, as compared to the Governor's January budget.

6110 CALIFORNIA DEPARTMENT OF EDUCATION

- Appropriates \$41.3 billion in Proposition 98 funds for K-12 education programs in 2003-04; this reflects a *decrease* of \$300 million (.7 percent) below the 2002-03 Budget Act and an *increase* of \$2.1 billion (5.4 percent) above the 2002-03 revised budget.
- Includes \$6,887 per pupil in Proposition 98 funding in 2003-04, which is \$180 *below* the 2002-03 Budget Act and \$263 per pupil *above* the revised 2002-03 budget
- Approves \$1.6 billion in funding increases to fund enrollment growth, PERS costs and pay for net program deferrals in the budget year and approves approximately \$2.0 billion in program reductions and savings. Many of these adjustments and reductions are highlighted below.
- Rejects the Governor's proposal to consolidate more than 64 categorical programs into a single K-12 Instructional Improvement Block Grant and restores 97 positions and \$6.7 million in state operations funding to CDE associated with the block grant proposal.
- Adopts the Governor's May Revision proposal to restore the \$612.4 million reduction (2.15 percent) for Revenue Limits, and instead reduces Revenue Limits by \$350 million (1.2 percent).
- Adopts the Governor's May Revision proposal to (1) restore \$835 million in across-the-board reductions to categorical programs and (2) makes approximately \$448 million in funding reductions and eliminations to specific programs that were included in the Governor's Block Grant proposal:
 - Targeted reductions include: Instructional Materials (\$75 m),^{1/} Supplemental Grants (\$80 m); School Improvement Program (\$42 m); Peer Assistance and Review (\$25 m); School Library Materials (\$19 m); Gifted and Talented Education (\$10 m); Adult Education and ROC/P programs (\$7 m); National Board Teacher Incentive Incentives (\$4.2 m); College

^{1/} Total savings equal \$202 million for instructional materials including elimination of \$145 million in one-time funding.

- Preparation Partnership (\$5 m); Advanced Placement Teacher Training (\$4.1 m); and Education Technology Grants and California Technology Assistance Project (\$1 m).
- Restores reductions for two categorical programs included in the Governor's May Revision: – Local Education Art Partnerships (\$6 million) and Civics Education (\$250,000).
 - Targeted eliminations include: Teaching-as-a-Priority (\$88.7 m); Miller-Unruh Reading Program (\$28.9 m); Teacher Recruitment Centers (\$9.4 m); Administrator Training (\$5.3 m); 7th and 8th Grade Math Academies (\$12.8 m); K-4 Intensive Reading Program (\$30.5 m); and the Institute for Computer Technology (\$574,000).
 - Adopts the May Revision proposal to eliminate \$250 million for revenue limit "equalization," including \$203 million appropriated by Chapter 1167, Statutes of 2002, and \$47 million in additional funding initially proposed in the Governor's January Budget.^{2/}
 - Reduces Deferred Maintenance funding by \$128.7 million below the 2002-03 level, but maintains funding for hardship.
 - Adopts the May Revision proposal to defer payment of all education mandates in 2003-04 for a savings of \$125 million.
 - Reduces funding for supplemental instruction (summer school) by \$97.9 million, including:
 - \$85 million for "core" supplemental instruction -- \$25 million for lower program participation and \$60 million from lowering the enrollment cap from 7 to 5 percent;
 - \$12.9 million for "remedial" instruction from lowering the enrollment cap from 7 to 5 percent.
 - Provides \$69 million in new federal IDEA funds available for special education to fund mental health related services for students with disabilities pursuant to state law – AB 3632 – and federal law.
 - Continues funding for the K-3 Class Size Reduction program at the program's base funding level for the 2002-03 fiscal year.
 - Restores \$35 million for the PERS Mitigation Offset in order to assist school districts in making retirement contributions for classified employees.
 - Adopts the Governor's May Revision proposal for the state's school accountability –Immediate Intervention/Underperforming Schools Program (II/USP) and High Priority (HP) Schools programs – to fully fund all 86 schools that have applied; and includes \$164 million in program savings primarily from schools that have exited the II/USP program (\$85 m) and the elimination of the rewards program for improving schools (\$77 m).
 - Approves two separate actions that reduce funding for Basic Aid districts by \$27.6 million, including:
 - \$17.8 million to eliminate Basic Aid funding (\$120 per ADA) and satisfy the constitutional obligation to provide state Basic Aid through the provision of categorical funds to these districts; and
 - \$9.9 million to further reduce funding for Basic Aid districts whose property taxes exceed their revenue limits and therefore do not receive any revenue limit funding from the state. Reductions are allocated on the basis of each district's calculated revenue limit.
 - Reduces funding for the Principal Training program by \$22.5 million, which will push completion of the program into 2004-05.

^{2/} SB 1046, pending in the Senate, proposes to increase equalization funding by \$50 million. See section below entitled *Trailer Bill Language – SB 1046*.

- Adopts \$15.7 million in savings to student assessment programs, including \$5.7 million for the Golden State Exam and \$10 million in unallocated reductions.
- Provides \$13.6 million in new federal NCLB Title I funds for the Reading First program to cover students in bilingual programs that do not currently have access to these federal K-3 supplemental reading funds.
- Rejects the Governor's proposal to limit ROC/P funds to students under age 16 years and restores \$12 million to conform to this action.
- Restores \$13.5 million for Adult Education to eliminate reductions tied to audit results for concurrent enrollment from the early 1990's.
- Restores \$5.15 million in Non-Prop 98 funding for the Advancement Via Individual Determination (AVID) program.
- Restores \$418,000 in funds to the Ed-Data website that provides easy-to-access financial, demographic and academic information for K-12 public schools.
- Restores \$50,000 in state operations funding to continue the state physical education assessment report.
- Utilizes funding from the Peer Assistance and Review program – approximately \$36.7 million – as a "balancer" to meet appropriation levels reflected in the Governor's May Revision Budget.
- Restores budget control language that allows for the limited transfer of funds among categorical programs.

Trailer Bill Language—AB 1754 (Chapter 227; Statutes of 2003)

1. Provides K-12 local education agencies (LEAs) with additional, limited-term flexibility in accessing education reserves and permits LEAs to use these reserves to backfill revenue limit reductions in 2003-04. Specifically, the trailer bill:
 - Reduces the standards for minimum reserves for economic uncertainty for school districts to half of their required levels as of May 1, 2003, thereby lowering the reserve requirement to a range of .5 to 2.5 percent effective in 2003-04 and 2004-05.
 - Reduces school district maintenance reserves from 3 to 2 percent in 2003-04.
 - Permits LEAs to access the 2002-03 ending balances for categorical programs – excluding Economic Impact Aid, Special Education, Targeted Instructional Improvement Grants, Instructional Materials, and Public School Accountability Act programs and deferred funding from 2001-02 to 2003-04. These reserves may only be used to offset revenue limit reductions and foregone COLA in 2003-04.
2. Calculates a deficit factor for LEA revenue limit reductions and foregone COLA's in 2003-04 so that in 2005-06 these factors are restored to revenue limit calculations, as if revenue limit losses had not occurred.

Trailer Bill Language—SB 1046 (In Senate)

1. The Assembly took action to add \$50 million in the 2003-04 budget for school district revenue limit equalization. This increase is offset by \$50 million in reductions for the following programs: Deferred Maintenance (\$18.5 m); Educational Technology (\$14.8 m); Math and Reading Professional Development (\$14.3 m); and Principal Training (\$2.5 m).:

PRE-K

4220 CHILD DEVELOPMENT POLICY ADVISORY COMMITTEE (CDPAC)

- Denied the Governor's request to eliminate CDPAC by providing \$367,000; however, the Governor vetoed these funds thereby eliminating CDPAC.

6110 CALIFORNIA DEPARTMENT OF EDUCATION – CHILD DEVELOPMENT

- Reversed the original January child care realignment proposal, which would have shifted child care services to the counties. This resulted in an increase in the Proposition 98 guarantee of \$879 million.
- Adopted a series of caseload adjustments, fund transfers, and programmatic reforms (with accompanying Budget Bill Language) in order to reduce expenditures and increase the amount of funding available for child care services in the Budget Year to the levels proposed in the Governor's May Revision. Specifically, the committee:
 - Eliminated subsidized child care services to child over the age of 13;
 - Eliminated subsidized care to "grandfathered" families who are earning over 75 percent of the State Median Income;
 - Clarified and reformed regulations related to provisions of the Regional Market Rate which address hourly and full day care as well as premium care;
 - Reduced the administrative and support services rate for Alternative Payment Providers by one percent (1%);
 - Reduced the ceiling to which child care costs are reimbursed to the 85th percentile of the rates charged by providers offering the same type of care within the same region.
 - Increased the amount of funding available for child care services from TANF and federal child care funds.
- Fully-funded the Before and After School Program and appropriated \$34.6 million in additional federal dollars for the 21st Century Learning Centers Program. Combined, the budget provides more than \$197 million to serve approximately 208,000 children.
- Decreased funding for state Preschool by \$10 million which assumes \$6 million more in program savings that originally proposed by the Governor.
- Eliminated funding for the Home Instruction Program for Preschool Youngsters (HIPPY).

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY

- Provided an additional \$14.8 million to the Public Library Foundation, bringing the total appropriation level for 2003-04 to \$15.8 million (which is the amount originally proposed in the Governor's January Budget).
- Appropriated \$250,000 to retain the core operations of the Civil Liberties Education Program.
- Retained funding (\$12.2 million) for the Transaction-Based Reimbursement Program, which helps cover the costs associated with interlibrary loans.
- Allocated \$128.4 million from Proposition 40 funds for the new California Cultural and Historical Endowment.

6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC)

- Denied the Governor's May Revision proposal to merge the California Postsecondary Education Commission with the California Student Aid Commission.
- Appropriated an additional \$1.5 million to bring funding for CPEC back to current-year levels (\$2.2 million General Fund).

6440 UNIVERSITY OF CALIFORNIA

- Adopted all of the funding reductions proposed by the Governor in January and made the additional reductions, as follows:
 - Further reduced funding to the UC by \$98.5 million (in the form of an "unallocated reduction"). Of this amount, \$80.5 million represents a one-time reduction pursuant to an agreement reached by all four Legislative Caucuses related to the approval of the Pension Obligation Bonds.
 - Deferred the opening of the UC Merced Campus for one year (from Fall 2004 to Fall 2005) for a General Fund savings of \$4 million.
 - Eliminated funding for the Community Teaching Fellowships for Mathematics and Science.
 - Reduced funding for K-12 Internet2 connectivity by \$6.6 million.
 - Adopted language specifying that cuts to the Cooperative Extension Program should be proportional to reductions sustained in other programmatic areas.
- Approved funding for a variety of Student Outreach programs and activities at the levels proposed by the Governor in his January Budget (which represents a 50 percent reduction from the amounts appropriated in the prior year).
- Reductions in General Fund approved by the Governor and the Legislature since 2002-03 have resulted in student fee increases of approximately 30 percent, as approved by the UC Board of

Regents. As is customary practice, one-third of the new fee revenue will be used by the UC to provide aid to financially-needy students.

- Approved all Capital Outlay projects as proposed by the Administration.

6610 CALIFORNIA STATE UNIVERSITY

- Adopted all of the funding reductions proposed by the Governor in January, with the following exceptions:
 - Further reduced funding to the CSU by \$84.5 million (in the form of an “unallocated reduction”). Of this amount, \$69.5 million represents a one-time reduction pursuant to an agreement reached by all four Legislative Caucuses related to the approval of the Pension Obligation Bonds.
 - Allocated additional funds (\$1.2 million) for the Legislative, Executive and Judicial Fellows program to bring the reduction level from 50 percent to 10 percent. This reduction results in the loss of one fellow per fellowship program.
- Approved funding for a variety of Student Outreach programs and activities at the levels proposed by the Governor in his January Budget (which represents a 50 percent reduction from the amounts appropriated in the prior year).
- Reductions in General Fund approved by the Governor and the Legislature since 2002-03 have resulted in student fee increases of approximately 40 percent, as approved by the CSU Board of Trustees. As is customary practice, one-third of the new fee revenue will be used by the CSU to provide aid to financially-needy students.
- Approved all Capital Outlay projects as proposed by the Administration.

6870 CALIFORNIA COMMUNITY COLLEGES

- Approved the May Revision proposal to increase student fees from \$11 per unit to \$18 per unit. Originally, the Governor’s January Budget proposed increasing fees to \$24 per unit.
- Retained spending level for community colleges as it was proposed in the May Revision.
- Approved the May Revision augmentation of the community colleges budget, which provided an additional \$305 million in General Fund support.
- Provided additional support to the community colleges by shifting \$200 million in June 2004 General Apportionments and Partnership for Excellence payments to July 2005.

7980 CALIFORNIA STUDENT AID COMMISSION

- Shifted all operating expenses for the Student Aid Commission from the General Fund to the Student Loan Operating Fund, for a General Fund savings of \$7.7 million.
- Retained the current maximum Cal Grant award level (\$9,708) for students attending private institutions; the Governor proposed to reduce the amount of the grant by \$880.
- Accepted the May Revision proposal to make baseline reductions to the Cal Grant program by \$20 million, due to the over-estimation of awards that has been occurring in recent years.

- Denied the Governor's request to reduce the Cal Grant C program.
- Eliminated the Cal Grant T program and converted existing awards to the Assumption Program of Loans for Education (APLE).